2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 28/04/2016 - Text adopted by Parliament, single reading

The European Parliament decided to grant discharge to the Commission in respect of the implementation of the general budget of the European Union for the financial year 2014, and also grant discharge to the Directors of the Education, Audiovisual and Culture Executive Agency, the Executive Agency for Small and Medium-sized Enterprises, the Consumers, Health, Agriculture and Food Executive Agency, the European Research Council Executive Agency and the Innovation and Networks Executive Agency (formerly the Trans-European Transport Network Executive Agency) in respect of the implementation of their respective Agencies' budgets for the financial year 2014.

Parliament approved the closure of the accounts of the general budget of the European Union for the financial year 2014.

It confirmed its position in a resolution adopted by 504 votes to 114, with 3 abstentions, which forms an integral part of the decision on discharge.

Parliament recalled that the 2014 discharge procedure covers a year in which two programing periods coincide and that in many cases recorded spending is related to 2007-2013 programing period.

Strategy and mission: continuity and innovation: Parliament noted the need to respect the existing discharge principles and new aspects and principles in the latest MFF. It considered that the main innovation in the discharge´s content should consist in striking an improved balance between on the one hand the formal and procedural matters of the Union budget´s utilisation, and on the other performance-based and results-oriented approaches, while taking into account absorption capacity utilisation.

Strengthening the Commission's monitoring role: Parliament deplored the fact that for 21 years in a row, **payments have been materially affected by error** due to the partial effectiveness of the supervisory and control systems.

I. Statement of Assurance (DAS):

Accounts and legality and regularity of revenue – clean opinions: Parliament noted the Court of Auditors' conclusion that the consolidated accounts of the Union present fairly, in all material respects, financial position of the Union on 31 December 2014. It expressed concern nonetheless that for the 21st year in a row, the financial supervisory and control systems examined were only partially effective in ensuring the legality and regularity of payments underlying the accounts

Legality and regularity of payments – adverse opinion: Members took note of the opinions of the Court of Auditors on the legality and regularity of the transactions underlying the accounts.

Error rates: Parliament noted the adverse opinion of the Court of Auditors on payment appropriations, in respect of which the overall error rate was 4.4 % but with no specific error rate concerning fisheries. It recalled that the most likely error rate for payments was estimated in the financial year 2013 at 4.7 %, in the financial year 2012 at 4.8 % and in the financial year 2011 at 3.9 %. Among particular items, the **highest levels of error** were identified in spending in favour of economic, social and territorial cohesion (5.7 %) and competitiveness for growth and jobs (5.6 %). On the other hand, administrative expenditures are connected with the lowest estimates of identified error (0.5 %).

Corrective measures: Parliament noted that if the corrective measures taken by the Member States and the Commission had not been applied to the payments audited by the Court, the overall estimated level of error would have been 5.5% rather than 4.4%. It urged therefore the Commission, authorities in the Member States or independent auditors to use all information available to prevent, detect and correct possible errors.

Shared management: Parliament stressed that for the operational expenditure the estimated level of error for spending under shared management with the Member States amounts to 4.6 % (2013: 4.9%) which remains at a very high level. It is worried that for the other forms of operational spending where the Commission has a leading role, the estimated level of error has rocketed up to 4.6% compared to 3.7 % in 2013.

ITER: Parliament insisted to receive from the Commission, by June 2016, an update on a long term project schedule and associated costs for ITER in preparation of budgetary decisions for the following year. It recalled that for 2016 payment appropriation at a level of almost EUR 475 million have been set aside for ITER.

II. Budgetary implementation by policy area – measures to be taken: Parliament discussed budgetary implementation and made the following observations:

- **Revenue**: Parliament underlined that, until changes are made to the Union's own-resources system, a GNI parameter is a key factor behind the revenue issue of the Union budget and stressed that a correct and objective measure of that is therefore a key issue, the only serious one regarding the revenue topic under the current Union budget´s architecture and that it is very important to have reliable and flexible databases for calculating Member States´ contributions. The Commission is therefore called upon to declare that GNI data submitted by Member States are reliable and their contributions therefore correct. The report recalled that in 2014, updates to GNI data led to adjustments to Member States' contributions of an unprecedented size, amounting to EUR 9.813 billion. The revenue side is not affected by material errors.
- **Competitiveness for growth and jobs**: the Commission is called upon to adopt a set of measures to reduce the relatively high error rate in this area, improve data and information management to analyse also very advanced R&D&I projects and test their real impact against the potential of Horizon 2020.
- **Economic, social and territorial cohesion**: Parliament called on the Commission to provide the Member States with stronger incentives to boost the use of innovative financial instruments in their regional policy, while taking into consideration lessons learnt from the period 2007-2013 in order to avoid blocking funds in financial instruments. As regards regional policy, the Commission regretted that the sources of errors have remained the same, essentially the non-compliance with the rules on public procurement, claiming ineligible cost and infringement of state-aid rules.
- **Economic, social and territorial cohesion**: Parliament stressed that under the ESF the most common types of eligibility issues detected are the following: expenditure declared outside the eligibility period (Czech Republic, Germany), overcharged salaries (Germany, Finland, Poland Portugal), costs not related to the project (the Netherlands, Poland, Portugal), non-compliance with national eligibility rules (Poland) and revenue not deducted (Austria).
- **Global Europe**: Parliament recalled that it requested that the Commission present the measures taken to improve the **performance of Union delegations** as regards financial planning and resource allocations, financial administration and auditing. The Commission should follow the Court's recommendation to set up and implement internal control procedures to ensure that re-financing payments are based on actual expenditure, and to strengthen the ex-ante controls for grant contracts, including the use of risk-based planning and systematic follow-up visits. It should also reflect the

current and sharply changing set of priorities to provide efficient Union financial support to follow not only the territorial aspects (Ukraine, Turkey, Western Balkan, Eastern Partnership countries among others), but simultaneously also the thematic ones.

- **Migration and Refugees**: Parliament stated that the Union funds involved in migration policy should be the subject to control and audits on the basis of performance indicators. It underlined the need to improve coordination amongst Member States in the area of migration. It pointed to the **ongoing migration crisis** and underlined the need to address it with a coherent Union solution. It noted the funds allocated to migration and external-border management in 2014 and asked the Court to consider preparing a quick, special report on the effectiveness of these funds, drawing conclusions to be reflected in the ongoing process of upgrading the Union migration and border control policy.
- **Administration**: Parliament noted that this very specific area relates to the expenditure of Union institutions and other bodies, and that the Commission in many cases plays here a role of a service provider for the others. It requested that all Union institutions and agencies should publish, on an annual basis, information about senior officials who have left the Union administration, as well as a list of conflicts of interest. It demanded that all those Union institutions and agencies that have not yet done so urgently adopt internal rules on **whistle-blowing.**

OLAF: Parliament stressed that Member States are not following up alleged cases of fraud affecting the financial interests of the Union as submitted to them by OLAF. However, in 2014, significant steps were taken by OLAF to enhance the Commission´s and the Member States´ protection of Union financial interests by completion of the priority actions of the multi-annual anti-fraud strategy. It urged OLAF to implement the recommendations on the direct participation of the Director General in investigations.

Getting results from the Union budget: Parliament noted that the key principle for the 2014 Commission discharge is the **soundness of financial flows** and real programmes and projects behind them, in light of an assessment of the optimal utilisation of Union funds in all respects.

It welcomed the fact that the structure and content of the Court of Auditors' 2014 annual report follows the headings of the MFF and places **greater emphasis on performance and results**.

However, it is aware that the move to an increased level of performance auditing **cannot be done in a single step**, as it is only once the basic legal acts and the budget are drafted with the intention to align policy objectives with qualitative indicators or to produce measurable results that performance audits can move forward.

Parliament pointed out, nevertheless, that the **objectives and the budget for results must be geared to the objectives laid down in the Treaties**, the Europe 2020 Strategy and sectoral and cohesion policies and must be sufficiently flexible so that it can be adapted to emergency situations that may arise, such as the economic crisis and/or the refugee crisis. It noted that 2014 was a **zero year of absorption** for some programmes, funds and instruments of the 2014-2020 MFF due to the late adoption of the relevant regulations and the resulting late approval of secondary legislation and programming documents.

Parliament recalled that the 2014-2020 MFF is the first to make fewer budgetary means available than its predecessors and that pressure on the payment ceilings is much greater than in previous MFFs.

Lastly, Parliament considered that a results-oriented budget requires strong, solid and **commonly agreed performance indicators**.